

For immediate release

6 December 2007

### **Survey Reflects Rising Risks in Late Payments and Defaults**

- Payment performance of buyers is expected to be deteriorated  
in coming six months -

The third-quarter 2007 survey of credit experiences among Hong Kong businesses – conducted by Coface, the leading international credit insurance and credit management services group – suggests impacts of the global drop in economic confidence caused by the US sub-prime mortgage crisis have led to increasing risks of buyers defaulting on or delaying payments. The payment performances of buyers are expected to be deteriorated in the coming six months.

According to the Coface survey, the overall payment trends are stable. Some 19.4 percent of respondents reported late payments over the past six months, down from 20.7 percent the previous quarter.

Among the respondents, 3.8 percent reported payment defaults for the previous six months, slightly down from 4.0 percent in the previous quarter.

“Despite the stable payment performance overall, we anticipate that risks for late payments and defaults could rise in the coming six months,” said Farcot.

### **Rising Risks of Late Payments and Defaults by Buyers from the United States**

The survey revealed that 6.0 percent of respondents reported late payments by buyers from the United States, a slight increase from 5.4 percent the previous quarter. Reported defaults by buyers from the United States were 1.1 percent, up from 1.0 percent in the second quarter of 2007.

“Although the impacts of the sub-prime mortgage crisis on the payment trend for buyers from the United States were not significant in the third quarter, it is expected that the payment performances will worsen,” said Xavier Farcot, deputy regional managing director – Greater China Coface. “The industries that are likely to be most affected are closely related to the property market, such as

building materials and hardware, furniture and parts, houseware, household electrical appliances, and machinery and parts.”

### **Local Businesses Losing Economic Confidence**

Some 11.7 percent of respondents believed that late payments would become more common in their industries in the next six months, up from 9.5 percent the previous quarter. Also, 5.7 percent of respondents – up from 4.9 percent the previous quarter – said that tightening of credit terms will become more severe in their companies in the next six months. These figures show that local businesses are losing confidence in the economic climate.

Of the respondents reporting payment defaults, 32 percent attributed them to buyers suffering a downturn in business performance. The figure was significantly increased from 22 percent the previous quarter. This further demonstrates that the performances of businesses are starting to be affected by the more sober economic outlook.

“ Local businesses are recommended to keep close monitoring of buyers' payment performance and should be alert to any payment risk in order to avoid potential loss,” said Farcot.

### **Slightly Lengthening Payment Delays in China May Signal Increasing Risk**

In the Coface survey, 8.2 percent of respondents reported late payments by buyers from China – a slight increase from 7.9 percent the previous quarter. Reported payment defaults by buyers from China were unchanged at 1.4 percent of respondents.

“ The forecasts of continued rapid economic growth in China trouble government officials, who fear that the overcapacity in certain sectors like the car industry, steel, and property sectors could result in tighter margins and thus financial difficulties for companies, and ultimately lead to a recession,” said Farcot. “That risk is not yet apparent in the lengthening payment delays but need to be monitored.”

The survey of 1,519 Hong Kong companies was conducted from July to September 2007, by Coface Greater China Services – the business information and credit management services subsidiary of Coface. The survey considered trends in late payments and defaults, as well as credit terms for manufacturing, trading services and contracting companies.

## About Coface

Coface, rated AA+ by Fitch Ratings, AA by S&P and Aa3 by Moody's, is a subsidiary of Natixis whose share capital (Tier 1) was 11.6 billion euros end June 2007. Coface's mission is to facilitate global business-to-business trade by offering its 105,000 customers four product lines to fully or partly outsource trade relationship management and to finance and protect their receivables: **credit insurance, company information and ratings, receivables management and factoring**. Coface also offers, in France, management of government export guarantees. Thanks to the worldwide local service delivered by 6,000 staff in 64 countries, over 45% of the world's 500 largest corporate groups are already customers of Coface.

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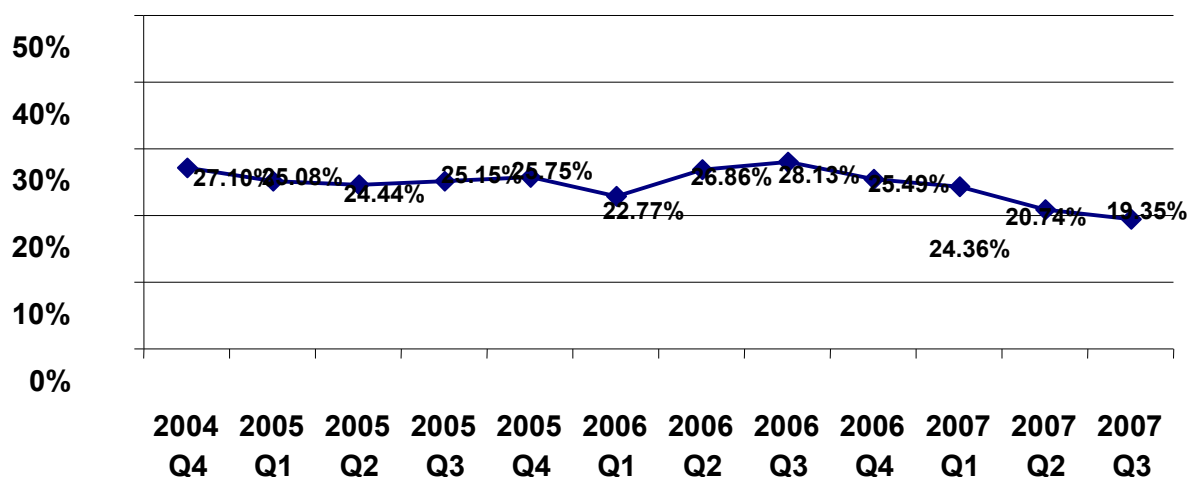
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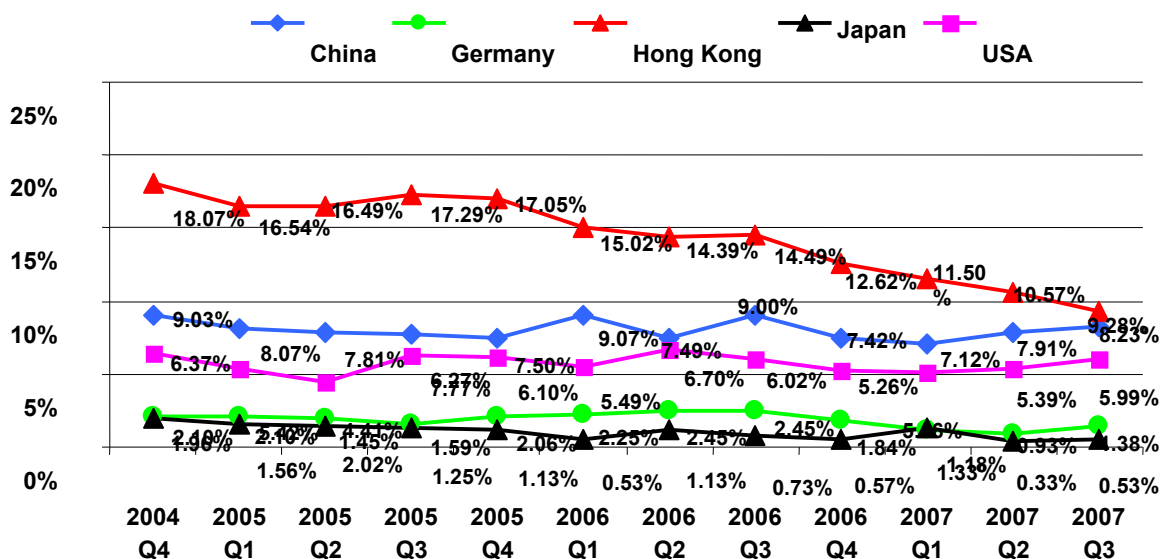
Appendix

Coface Payment Survey of Hong Kong Businesses  
Third Quarter 2007 – Highlights

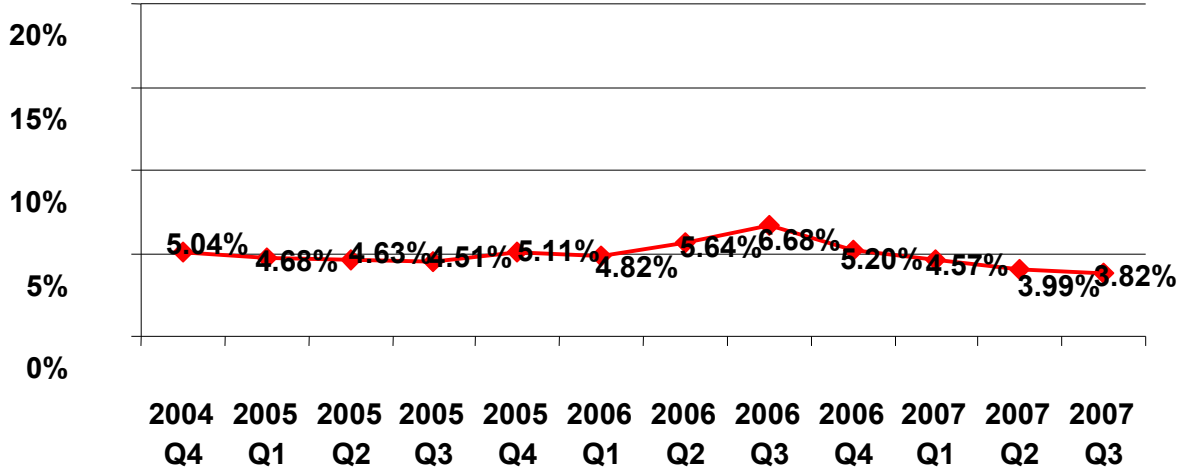
**HK Firms Experiencing Payment Delays**



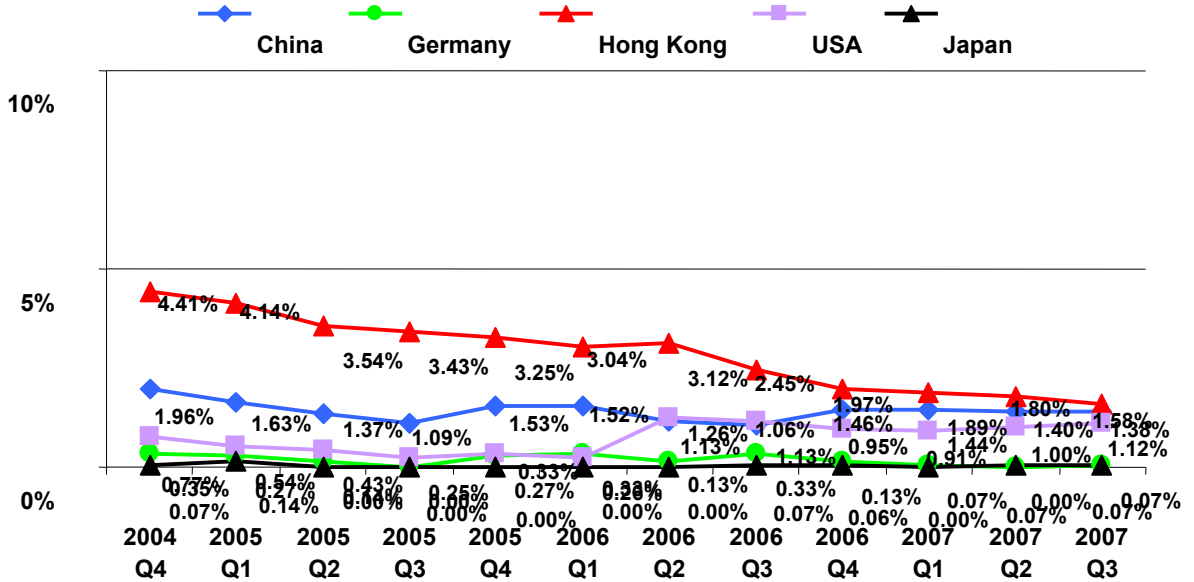
**HK Firms Experiencing Payment Delays by Major Countries**



## HK Firms Experiencing Payment Defaults



## HK Firms Experiencing Payment Defaults by Major Countries



The quarterly payment survey by Coface Greater China Services studies trends in late payments and defaults, and credit terms for manufacturing, trading services and contracting companies in Hong Kong. The survey in the third quarter 2007 polled 1,519 Hong Kong companies.